

Department of Planning and Budget 2001 Fiscal Impact Statement

1. Bill Number HB1727

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Rust

3. Committee Finance

4. Title Tobacco Settlement Financing Corporation Act

5. Summary/Purpose: This bill creates the Tobacco Settlement Financing Corporation (TSFC) as the vehicle through which the Commonwealth may sell and finance all or a portion of its tobacco settlement payments from the Master Settlement Agreement (MSA) among the forty-six states and the major tobacco manufacturers. The TSFC is established as a public body corporate with powers limited to those required to effect the sale and financing of the tobacco settlement payments. The TSFC would issue bonds to raise funds to purchase the Commonwealth's rights, title and interest in or to the tobacco assets sold. Bondholders would be paid from future tobacco settlement payments that are assigned to the TSFC by the Commonwealth. Any bonds issued by the TSFC would not be considered a debt or a pledge of the faith or credit of the Commonwealth. The Department of the Treasury would staff the TSFC.

6. Fiscal Impact Estimates are: See Item 8 below.

7. Budget amendment necessary: No. Item 545 of the 2001 Budget Bill contains an appropriation for the net cash proceeds resulting from the securitization of the Commonwealth's allocation of MSA payments.

8. Fiscal implications: Section 3-3.05 of the 2001 Budget Bill provides authorization to sell up to 100 percent of the Commonwealth's MSA allocation over the next 20 years. By securitizing the MSA payments over the next 20 years, the net cash proceeds in FY 2001 are estimated at \$223,657,200 and in FY 2002 are estimated at \$938,065,750 to be deposited to the following trust fund or endowment: \$460,611,525 to the Higher Education and Economic Development Trust Fund (40 percent of the Commonwealth's MSA allocation); \$584,259,521 to the Tobacco Indemnification and Community Revitalization Endowment (50 percent of the Commonwealth's MSA allocation); and \$116,851,904 to the Virginia Tobacco Settlement Foundation Endowment (10 percent of the Commonwealth's MSA allocation). The income and a portion of the corpus of each endowment or trust fund shall be used for the purposes as stated in the trust fund or endowment's enabling legislation or as set out in Item 545 of the 2001 Budget Bill.

9. Specific agency or political subdivisions affected:

- Department of the Treasury
- Tobacco Indemnification and Community Revitalization Commission
- Virginia Tobacco Settlement Foundation

10. Technical amendment necessary: No.

11. Other comments: HB 1726 and SB 842 create the previously mentioned trust fund and endowments specified in Item 8, into which the proceeds of a tobacco asset sale shall be deposited. SB 841 is a companion bill introduced by Senator Hawkins.

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cc: Secretary of Finance

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